

Audit Committee – 8 December 2015

Minutes of the meeting of the **Audit Committee** held on **8 December 2015** when there were present:-

Chairman: Cllr Mrs J A Mockford
Vice-Chairman: Cllr Mrs L A Butcher

Cllr C I Black
Cllr R R Dray
Cllr N J Hookway
Cllr J R F Mason

Cllr D Merrick
Cllr Mrs M H Spencer
Cllr D J Sperring

APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr J L Lawmon.

OFFICERS PRESENT

A Law	- Assistant Director, Legal Services
D Murray	- Section 151 Officer
J Kevany	- Principal Auditor
T Harper	- Performance & Risk Manager
S Worthington	- Committee Administrator

246 MINUTES

The Minutes of the meeting held on 23 September 2015 were approved as a correct record and signed by the Chairman.

247 EXTERNAL AUDITOR REPORT UPDATES FOR 2014/15

The Committee considered the report of the Assistant Director, Legal Services drawing Members' attention to the recommendations arising from the Annual Governance Report 2014/15.

Officers advised, in response to a Member question relating to timescales on progress in respect of the BDO recommendations arising from the Final Report to the Audit Committee, Audit for 2014/15 that all work was on track to meet the timescales outlined in the report, with the exception of the preparation of draft financial statements by the earlier deadlines due to take effect for the 2017/18 financial year. A working group had been set up to address this issue and it was noted that other Councils were in a similar position.

Resolved

That the updates to the monitoring sheet for the BDO recommendations arising from the Final Report to the Audit Committee, Audit for the year ended 31 March 2015 be noted. (ADLS)

248 PUBLIC SECTOR INTERNAL AUDIT STANDARDS QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The Committee considered the report of the Assistant Director, Legal Services updating Members on the Public Sector Internal Audit Standards (PSIAS) and Quality Assurance and Improvement Programme following an internal self assessment for 2015.

In response to a Member question relating to other Councils' performance in this area, officers confirmed that all Councils had a degree of non compliance with the Standards, while very few had managed to complete an external review of compliance with PSIAS. It was noted that the Internal Audit team was too lean to facilitate the necessary segregation of duties and quality assurance.

Responding to a further Member query relating to what options were available to improve the situation, officers proposed that the County Council be asked to help facilitate a quick peer review of this Council's Internal Audit function that would result in an action plan to address any areas that needed to be resolved. Officers emphasised that the Council was limited by a lack of specialist auditors, e.g., IT auditors who could advise on how best to prevent cyber fraud. A peer review would provide advice on the best approach to ensure a segregation of financial functions and to ensure appropriate development of the Internal Audit staff. Members emphasised the importance of involving the Assistant Director, Transformational Services, and the Council's IT contractor, Capita, in any peer review work relating to cyber fraud.

Members expressed concern at the lack of formal audit of the culture and ethics of the Council, in the context of the work of the Council's new Investment Board. Members emphasised the importance of the peer review being undertaken as quickly as possible and it was agreed that the timescale for this to be completed would be confirmed to the Committee by email outside this meeting. It was further agreed that if any significant issues arose during the course of the peer review an additional meeting of the Audit Committee should be arranged.

Resolved

- (1) That the outcome of the 2015 review of the Public Sector Internal Audit Standards be noted.
- (2) That the renewal of the Audit Charter, as amended for 2015/16, be noted. (ADLS)

249 PROGRESS ON THE 2015/16 INTERNAL AUDIT PLAN

The Committee considered the report of the Assistant Director, Legal Services updating Members on progress with respect to the 2015/16 audit plan.

Members expressed concern at the revision of the plan as a result of a reduction in staffing earlier in the year and in particular at the reduction in audit days. Officers emphasised that the peer review would identify any critical reviews that would be needed for 2016/17. In response to a Member question relating to paragraph 2.6 of the officer's report, officers confirmed that the gap between actual and target times in respect of the audit plan was narrowing steadily and could potentially be on track again by the end of December. Officers further emphasised that the number of days allocated was not as important as how the time was allocated/used. It was important to ensure that the right areas were audited rather than spending a lot of time auditing areas that potentially only required light touch audits. The peer review would help the Council to identify those areas that require auditing; in addition, the new external auditors will put less assurance on the internal audit opinion.

Resolved

That progress on the annual audit plan and the revised annual audit plan for 2015/16, subject to review, be noted. (ADLS)

250 REVIEW OF THE COUNCIL'S RISK MANAGEMENT POLICY AND FRAMEWORK FOR 2015/16

The Committee considered the report of the Section 151 Officer presenting a review and proposed update of the Council's risk management policy and framework and corporate risk register for 2015/16 for Members' consideration and approval.

In response to a Member question relating to the quality of controls within the corporate risk register, detailed from page 10.20 onwards in the officer's report, officers advised that the quality of controls necessarily affected the likelihood and impact of a risk. As a result of the Council's redesign, some controls that had previously been in place weren't now present or had been modified. Controls assessed as 'fair' included some mitigation of a particular risk, but more refinement was required.

Officers confirmed, in response to a Member query relating to risk 2 detailed on page 10.20 of the officer's report, that plans were being developed with the Leadership Team for further actions, e.g., refresher training on safeguarding to be delivered to all staff and further auditing of this area. Action plans for all of the risks detailed in the report would be considered by the Leadership Team. Responding to concern raised by a Member that such action plans had not been brought to the Audit Committee, officers confirmed that action plans could be brought to the Committee for consideration.

Members highlighted risk 3 on page 10.21 of the officer's report as being a particular cause for concern. Officers advised that this was due to there having been insufficient capacity to undertake the necessary food safety

inspections; a food safety officer left the Council just before the redesign and another officer was temporarily unable to conduct inspections due to a foot injury. In addition, the Council was currently in the process of recruiting a new Assistant Director for Community & Housing Services. This issue had now been addressed by taking on a food safety contractor to tackle the backlog of food safety inspections.

Members observed that a project office would be set up to monitor Investment Board projects and that this would in time add to the Council's system of controls.

In concluding the debate, Members agreed that the Committee should look at all action plans for items where the "quality of controls" was rated 'poor' or 'fair'.

Resolved

- (1) That the updated corporate risk management policy and framework be approved and that the corporate risk register for 2015/16 be noted.
- (2) That corporate risk register action plans relating to items graded as 'fair' or 'poor' be reported to the Committee for consideration. (S151O)

251 AUDIT REPORT

The Committee considered the exempt report of the Assistant Director, Legal Services drawing Members' attention to completed audit investigations and providing an update of audit recommendations.

Resolved

That the conclusions and results from the audit engagements in appendices 2 and 3 be noted. (ADLS)

The meeting closed at 8.52 pm.

Chairman

Date

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